1971 ANNUAL REPORT

Rapid-American Family of Companies

Rapid-American Corporation is the corporate parent of a unique business structure, principally in the following fields of business:

Rapid-American Divisions manufacture men's tailored clothing and luggage.

Glen Alden's major units manufacture and market consumer products: distilled whiskey and spirits, foundation garments, family products and soft goods. Another division produces textiles.

McCrory is engaged in a broad spectrum of retailing: women's and children's apparel, variety, automotive, household, recreational and general merchandise.

Glen Alden in 1972 announced the sale of its interest in Panacon Corporation, a company in the building materials industry, and the proposed sale of National Shirt Shops and other menswear retail operations. It is also considering the disposition of its interest in ILC Industries, Inc., a company in the field of advanced-technology products. (Financial Information relating to these companies has not been treated as discontinued operations in this report.)

ANNUAL MEETING:

The 1972 Annual Meeting of Shareholders of Rapid-American Corporation will be held in the Crystal Room of Delmonico's Hotel, 502 Park Avenue at 59th Street, New York City, on Wednesday, May 31, 1972 at 10:30 a.m.

Directors

ISIDORE A. BECKER*
HAIM BERNSTEIN
HAROLD S. DIVINE
PAUL A. JOHNSTON
BERNARD KOBROVSKY
FRED KORROS
LEONARD C. LANE†
SAMUEL J. LEVY*
MESHULAM RIKLIS*
PINHAS RIKLIS
LORENCE A. SILVERBERG*
HARRY H. WACHTEL*

†Chairman of the Executive Committee
*Member of the Executive Committee

Officers

MESHULAM RIKLIS
Chairman of the Board and President

ISIDORE A. BECKER
Vice Chairman of the Board and Financial Vice President

LEONARD C. LANE
Executive Vice President

ANTHONY W. TRAPANI
Vice President and Treasurer

LORENCE A. SILVERBERG
Vice President

HAIM BERNSTEIN
Vice President

JOSEPH B. RUSSELL
Secretary

Auditors

Haskins & Sells
Two Broadway
New York, N.Y. 10004

Counsel

Rubin Wachtel Baum & Levin
598 Madison Avenue
New York, N.Y. 10022

Transfer Agents

Common Stock
Chemical Bank
770 Broadway
New York, N.Y. 10003

First Jersey National Bank
One Exchange Place
Jersey City, N. J. 07303

$2.25 Convertible Preferred Stock
Redeemable Warrants
Chemical Bank
770 Broadway
New York, N.Y. 10003

Registrar

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, N.Y. 10015

RAPID-AMERICAN CORPORATION ANNUAL REPORT 1971

HIGHLIGHTS

RAPID-AMERICAN CORPORATION

- Set sales and earnings records.
- Increased divisional operating income.
- Owned 75% of Glen Alden common stock at year end (up from 64%).
- Owned 57% of McCrory common stock at year end (up from 55%).
- Purchased 950,000 shares (nearly 49%) of J.J. Newberry Co. common stock in 1972 cash tender offer at $22 per share. Newberry operates approximately 750 stores in the United States and Canada.

GLEN ALDEN CORPORATION

- Set sales and earnings records.
- Operating income up in distilled whiskey and spirits, and in other consumer products.
- Merged Schenley with a wholly-owned Glen Alden subsidiary.
- Sold The Buckingham Corporation (for $120 million), RKO-Stanley Warner Theatres Inc. (for $21.5 million) and certain California wine operations (for $13.2 million).
- In March 1972 announced proposed sale of National Shirt Shops and other menswear retail operations. In April 1972 sold its 89% interest in Panacon Corporation (for $62 million).
- Purchased 4 million Glen Alden common shares through cash tender offer at $11 per share, reducing the outstanding shares at year end to 17,477,000.
- Resumed quarterly dividend payment of 10¢ per common share.

McCRORY CORPORATION

- Set sales and earnings records.
- Operating income up at McCrory-McLellan-Green Stores, Otasco Stores and Lerner Shops.
- Acquired 866,000 McCrory common shares through an exchange offer, reducing the outstanding shares at year end to 3,807,000.
- In 1972 agreed that J.J. Newberry Co. become a subsidiary of McCrory, subject to stockholder approvals.

CONTENTS

Meshulam Riklis
Chairman and President

RESULTS FOR YEAR ENDED JANUARY 31,	1972	1971
NET SALES*	$2,328,229,000	$2,188,904,000
INCOME		
Before Minority Interest and Extraordinary Items*	$44,383,000	$30,645,000
Before Extraordinary Items	$23,112,000	$14,919,000
Per Share:		
Fully Diluted	$1.75	$ .83
Primary	$2.72	$1.40
NET INCOME		
After Extraordinary Items	$25,575,000	$13,030,000
Applicable to Common Shareholders	$21,305,000	$ 7,421,000
Per Share:		
Fully Diluted	$1.98	$ .58
Primary	$3.08	$1.11

*From continuing operations (without giving effect to the sale of Panacon). This summary should be read in conjunction with the financial statements and data appearing in this report. Certain amounts for the year ended January 31, 1971 are restated.

TO OUR SHAREHOLDERS:

Sales and earnings for fiscal 1971 established new records for your company.

Although we anticipated these excellent results, as predicted last May at the annual meeting of shareholders, we are very pleased to report their achievement.

We are proud of the accomplishments and solid growth of our two major subsidiaries, Glen Alden Corporation and McCrory Corporation, which made substantial gains in sales and earnings last year. We are also proud of the progress of Rapid-American's wholly-owned divisions in improving their profitability.

As a result of the performance of our subsidiaries and divisions, Rapid-American Corporation reported sales of $2.3 billion*. Net income (after extraordinary items) of $25.6 million was up more than 96 per cent from the prior year. Income before extraordinary items increased very significantly to $23.1 million, representing a rise of more than 50 per cent.

Another measure of income is the $44.4 million of income before minority interest and extraordinary items*, a gain of nearly 45 per cent above the amount for fiscal 1970. We believe this income line, often overlooked, is important in understanding Rapid-American. It indicates the total capacity of the company and its consolidated operations to generate earnings.

Leonard C. Lane
Chairman of the Executive Committee and Executive Vice President

Isidore A. Becker
Vice Chairman and Chief Financial Officer

In effect, it is the *full earnings* of all operations controlled by Rapid-American—from which is subtracted the equity attributable to the portion not owned by Rapid-American. Clearly, this figure shows that your company is a generator of substantial earnings.

Fiscal 1971 net income included an extraordinary credit of $2,463,000, chiefly tax benefits arising from utilization of a subsidiary's loss carryovers. In fiscal 1970 Rapid-American had an extraordinary charge of $1,889,000.

A few words about earnings per share. We have given equal prominence to both *primary* and *fully diluted* earnings per share in this report. In the future, in order to clarify reporting of earnings, we propose to stress fully diluted earnings per share.

Fully diluted net income per share for fiscal 1971 of $1.98 is a record. The previous record was fiscal 1968's $1.63.

We have expanded the data in this annual report, drawing from our total corporate financial information, because we hope that it will be useful to shareholders. Included are breakdowns of subsidiary and divisional sales and operating income contributions, summaries of the financial reports of Glen Alden and McCrory, descriptive schedules, a list of the principal publicly traded securities of the Rapid-American Family of Companies, a five-year review of key Rapid-American financial data, and a condensed balance sheet for the parent company (in addition to consolidated balance sheets).

Our successful 1971 year was based on accomplishments in two areas, operating performance and corporate financial planning. Each is a basic component of the Rapid-American program, which is characterized by aggressive, dynamic management teams, sound business practices, and a concentration on extending our record of solid growth.

We expect this program to be successful in the current year. We are fully confident of our ability to continue generating growth and again to reach new peaks in earnings.

One reason for our confidence is the superb support given to Rapid-American in the year just passed by our customers, suppliers, banks, shareholders, directors, officers, and some 82,000 employees. It is our expectation that such support will be a vital resource in continued progress this year.

Sincerely,

M. Riklis

M. Riklis
Chairman of the Board and President
April 20, 1972

RAPID-AMERICAN CORPORATION AN

FIVE-YEAR COMPARATIVE FINANCIAL DATA

Year Ended January 31,

EARNINGS:	1972	1971	1970
Net Sales[1]	$2,328,229,000	$2,188,904,000	$1,950,838,000
Operating Income[1] [2]	143,883,000	133,170,000	125,774,000
Income Before Minority Interest and Extraordinary Items[1]	44,383,000	30,645,000	33,538,000
Income Before Extraordinary Items	23,112,000	14,919,000	20,033,000
Net Income (After Extraordinary Items)	25,575,000	13,030,000	20,742,000
Net Income Applicable to Common Shareholders	21,305,000	7,421,000	15,508,000
Per Share—Fully Diluted:			
Income Before Extraordinary Items	1.75	.83	1.41
Net Income	1.98	.58	1.50
Weighted Average Shares	7,554,000 shs.	7,365,000 shs.	7,654,000 shs.
Per Share—Primary:			
Income Before Extraordinary Items	2.72	1.40	2.59
Net Income	3.08	1.11	2.72
Weighted Average Shares	6,768,000 shs.	6,591,000 shs.	5,665,000 shs.

FINANCIAL POSITION:			
Current Assets	$ 950,634,000	$ 951,602,000	$ 947,466,000
Current Liabilities	382,537,000	458,681,000	469,422,000
Working Capital	568,097,000	492,921,000	478,044,000
Total Assets	1,571,808,000	1,621,450,000	1,701,074,000
Shareholders' Equity	208,357,000	176,061,000	175,013,000

RATIOS:			
Current	2.5	2.1	2.0
Working Capital to Current Maturities of Long-term and Convertible Debt	12.8	5.9	5.6
Debt to Equity[3]	2.4	1.9	2.0
Book Value Per Share of Common Stock	$26.49	$23.79	$23.73

NOTES:

(1) From continuing operations (without giving effect to the sale of Panacon).

(2) Excludes other income, interest and debt expense, Federal and foreign income taxes, minority interest and extraordinary items.

(3) Debt comprises long-term and convertible debt less current maturities. Equity comprises shareholders' equity and minority interest.

Certain amounts for the four years ended January 31, 1971 are restated.
This information should be read in conjunction with the financial statements and data appearing in this report.

D SUBSIDIARIES

1969	1968
$ 891,695,000	$ 837,632,000
46,298,000	36,892,000
18,173,000	15,913,000
7,959,000	7,190,000
10,896,000	7,190,000
9,390,000	5,957,000
1.08	1.08
1.63	1.08
5,310,000 shs.	4,550,000 shs.
2.13	2.67
3.10	2.67
3,030,000 shs.	2,233,000 shs.
$ 186,135,000	$ 160,205,000
90,724,000	81,550,000
95,411,000	78,655,000
386,042,000	337,780,000
52,321,000	38,115,000
2.1	2.0
6.2	6.9
1.0	1.2
$8.29	$3.43

RESULTS FOR FOURTH QUARTER

ENDED JANUARY 31,	1972	1971
NET SALES	$697,091,000	$655,630,000
INCOME BEFORE EXTRAORDINARY ITEMS	$13,158,000	$9,299,000
Per Share:		
Fully Diluted	$1.02	$ .68
Primary	$1.76	$1.18
NET INCOME		
After Extraordinary Items	$13,993,000	$8,046,000
Applicable to Common Shareholders	$12,913,000	$6,581,000
Per Share:		
Fully Diluted	$1.10	$ .52
Primary	$1.88	$ .99

Certain amounts for the three months ended January 31, 1971 are restated. Such restatements are applicable to the nine months ended October 31, 1971, not presented separately herein.

Cross Country Clothes' innovative styling and production expertise in doubleknit suits and sport coats earned industry recognition.

RAPID-AMERICAN DIVISIONS

Rapid-American's three wholly-owned divisions were able to improve their performance in 1971, although it was not a generally good year in the menswear and luggage fields. By concentrating on profitability and continuing to be sensitive to fashion trends and customer service, the divisions produced a satisfactory gain.

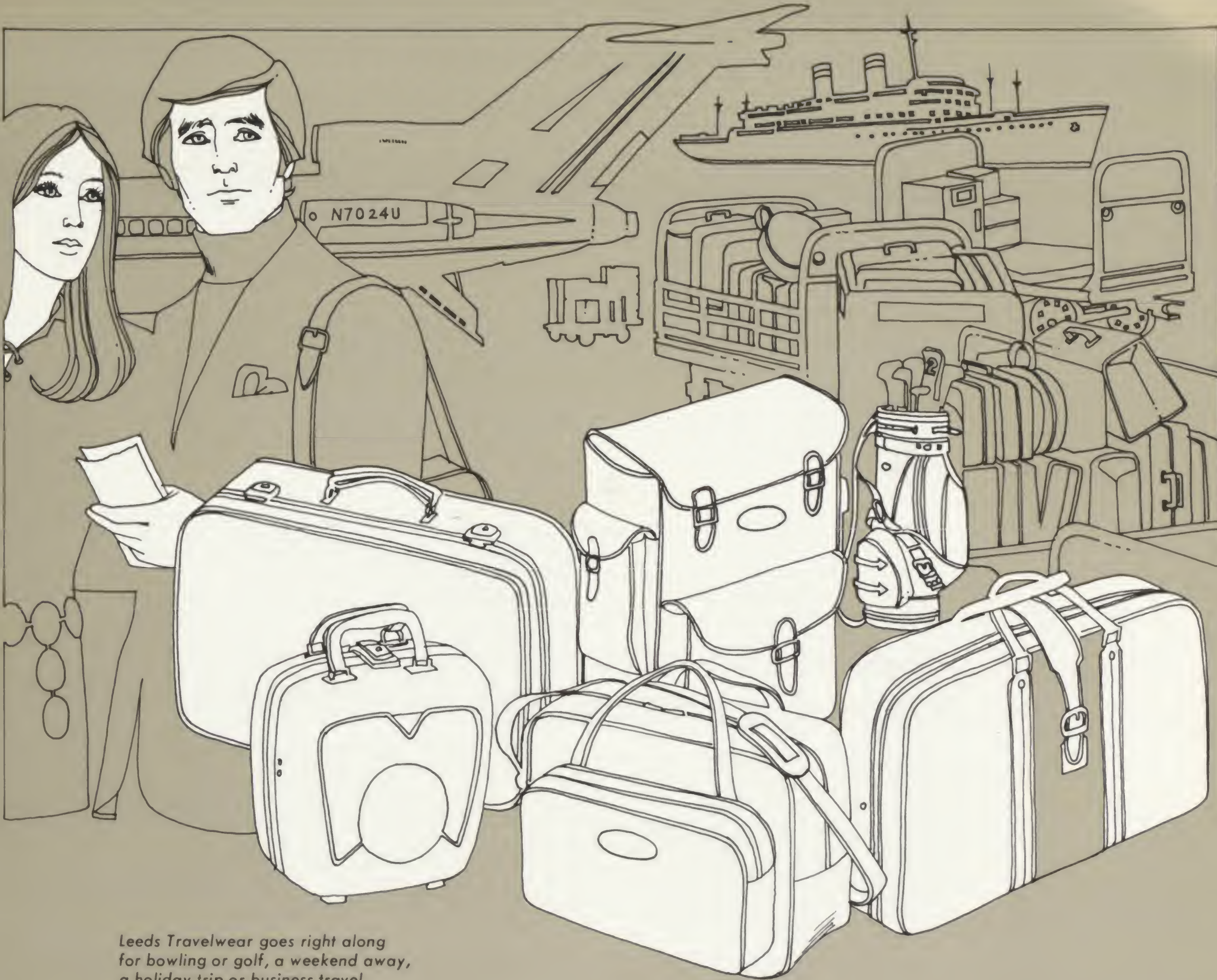
CROSS COUNTRY CLOTHES

Cross Country Clothes reported a substantial earnings improvement in 1971, its fourth year as a division of Rapid-American.

Cross Country's suits and sport coats are sold throughout the country by major chains. The division, based in Northampton, Pa., is well known in the trade as a manufacturer that can meet the exacting requirements of the chain stores for manufacturing quality, efficient handling of orders and on-time deliveries.

The division management has also gained recognition for its awareness of fashion movements and its ability to produce quickly to capitalize on them. Cross Country was early in discerning the importance of doubleknits in the men's field and has emerged as a major manufacturer of knit clothing.

One mark of the industry's respect for Cross Country Clothes was the citation awarded to the division's chief designer "for outstanding work in developing technology for mass producing men's tailored knit apparel."



Leeds Travelwear goes right along for bowling or golf, a weekend away, a holiday trip or business travel.

LEEDS TRAVELWEAR

Leeds improved the efficiency of its selling and distribution systems during 1971. At the same time, the division introduced a number of new lines and dropped less profitable items.

One of Leeds' strengths is its manufacturing capability. Its plant in Clayton, Del., is one of the most modern, efficient luggage operations in the world, which enables the division to handle large orders of popular priced merchandise.

Leeds is one of the nation's largest manufacturers of casual luggage, including accessory items and sport bags. In addition, the division is a leading distributor of bowling and golf bags.

In 1971 Leeds developed and tested new kinds of luggage, made in canvas and suede-like vinyl, designed for the casual, mobile life style of many consumers, particularly young adults. Also during the year the division developed a line of attache cases made by its exclusive one-piece *Roto-cast* manufacturing process. Based on early test market results, Leeds expects the attache cases to become an important category in its product line.

Joseph H. Cohen & Sons' fashion knowhow is backed by one of the world's most advanced clothing factories.

JOSEPH H. COHEN & SONS

Joseph H. Cohen & Sons not only had a profitable year in 1971, it strengthened itself organizationally and is fully set to maintain the position of leadership it has held for well over 50 years in the men's clothing field.

During 1971 the division realigned its management and sales organizations transferring responsibility for Cohen's direction to a younger generation of executives who were developed within the division.

As one of the largest manufacturers of men's tailored clothing, Joseph H. Cohen has built a long record of serving the special needs of its retail customers throughout the country. Its customers are individual menswear, department and chain stores, which buy the division's suits and sport coats utilizing their own private labels.

These retailing customers needed Cohen's help in 1971. The buying public showed uncertainties: about fashion directions, the appearance of new fabrics and the cost of clothing. Retailers knew they could count on the Cohen division's fashion authority, its ability to offer a broad range of styles and fabrics, and the efficiency of its manufacturing capability.

Schenley's renowned brands of distilled whiskey and spirits add zest to the lives of millions.

GLEN ALDEN CORPORATION

Glen Alden Corporation, our 75 per cent-owned subsidiary primarily engaged in manufacturing and marketing consumer products, had a successful year in 1971. Both revenues and income were well above 1970, itself a good year.

Income before extraordinary items was $28,239,000 in 1971, as compared with $24,598,000 in 1970.

Schenley Industries, Inc., was merged with a wholly-owned subsidiary of Glen Alden which became the owner of all of Schenley's voting stock. Schenley had a most satisfactory year, despite the absence from its 1971 results of eight months of Buckingham's earnings. Sales for *Dewar's "White Label"* Scotch whisky continued strong and it is now the third largest-selling brand of Scotch in the United States.

Schenley expanded its line of imports during the year to include 24 prestigious labels from Europe and Africa, and formed a specialty division to concentrate on the development of products designed to appeal to shifting American taste patterns. Foreign-produced wines, which represent the fastest growing segment of Schenley's business, have a projected annual industry-wide growth of 17 per cent over the next several years.

A new type of U.S.-made distilled spirit, called "Light Whiskey," which is distilled at a higher proof and is aged in seasoned casks, will make its debut officially on July 1, 1972. Schenley has laid away adequate inventory to compete in this field.

American consumption of distilled spirits is approaching the 400 million-gallon mark, with a retail value of over $10.5 billion, and Schenley's attention and energies are being devoted to increasing its share of this major market. Schenley places particular emphasis on discerning the trend of shifting tastes and changing popularity. In this connection, national advertising has been designed to be aggressive and to build public acceptance of carefully selected brands.

Playtex bras, girdles and family products, well known in the United States, also win consumer loyalty abroad.

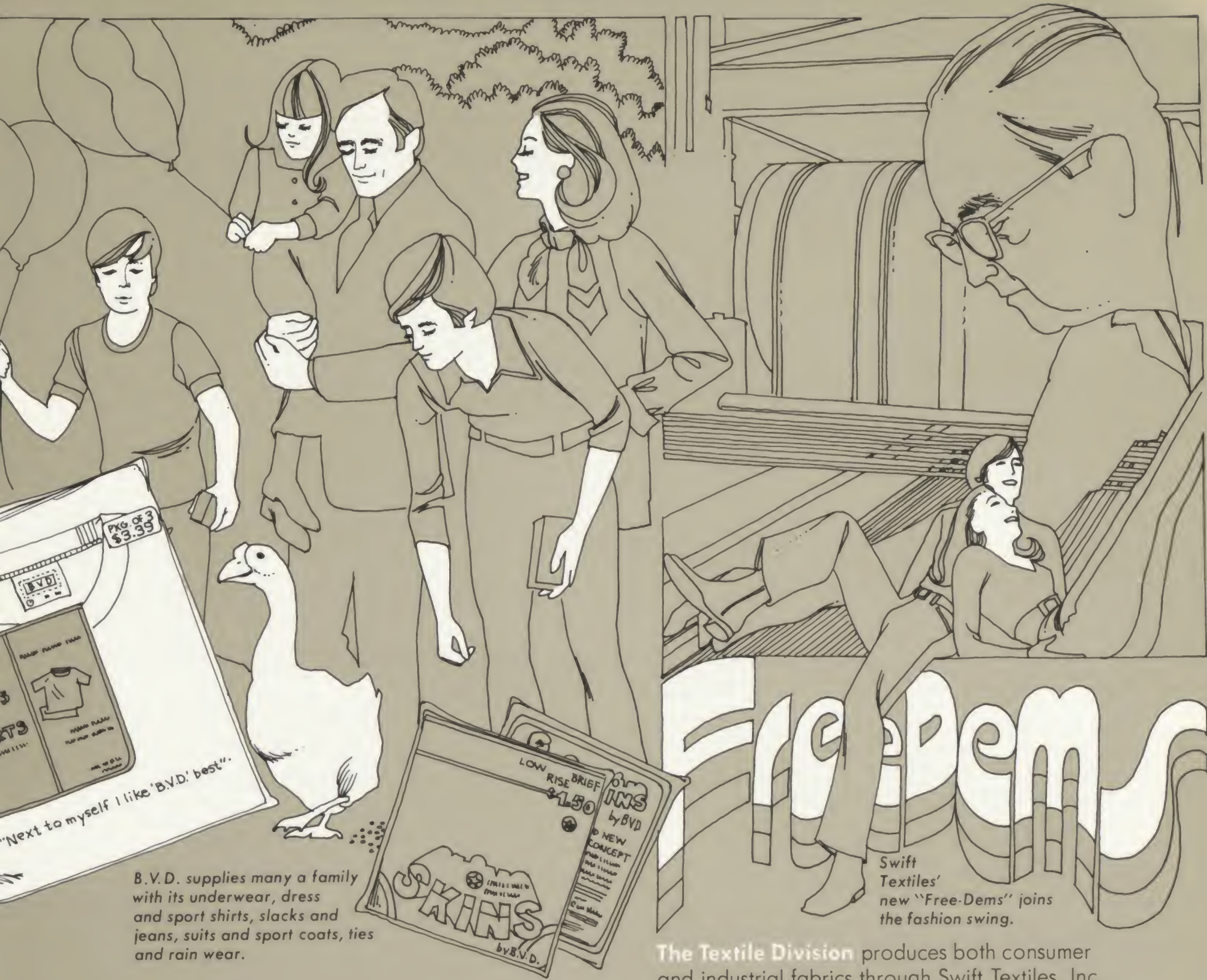
International Playtex Corporation sales and profits for 1971 were once again up substantially over the previous year.

Fashion designs of the past two or three years adversely affected sales of bras and girdles in the industry as a whole, so Playtex's good performance during the past year was achieved against the trend. Current fashions, fortunately, appear likely to halt the somewhat downward trend for bra and girdle usage, and thus should be even more helpful to Playtex's sales. New designs and styles of bras and girdles have been added to Playtex's line, and still others are being test marketed. An addition to the girdle and bra plant in Puerto Rico was completed during the year and further additions are planned for 1972.

The Family Products division of Playtex, which comprises rubber gloves, tampons, toothbrushes and baby products, also made considerable progress during the year. Sales increased in every category over the previous year, and additional gains are expected in 1972.

Furthering the policy to extend the widely advertised and internationally known Playtex trademark to a growing number of products, production of a latex-dipped flexible boot for inclement weather was begun in 1971. Also, a line of Playtex swimsuits is being test marketed.

One of the strongest areas for expansion of Playtex sales is in the international markets. Playtex is now the largest manufacturer of branded bras and girdles in the United Kingdom, France and Italy, where business is growing very rapidly. Business also continues to gain in Germany, Spain, Canada, South Africa and Mexico.



B.V.D. supplies many a family with its underwear, dress and sport shirts, slacks and jeans, suits and sport coats, ties and rain wear.

Swift Textiles' new "Free-Dems" joins the fashion swing.

The B.V.D. Company, Inc., a broad-based manufacturer and marketer of apparel, primarily for men and boys, realigned its operations into four major divisions: the B.V.D. Division, the Clothing Division, the Knit Division and the Accessories Division. As a result, economies are being effected through administrative simplification and the pooling of resources in purchasing, production and marketing. The realignment has also made possible the consolidation of distribution centers to achieve a more highly computerized distribution system, with gains in economy and efficiency.

B.V.D. has eliminated excess capacity and concluded, for the time being, an extensive program of streamlining its operations. Its products and their marketing have been improved, and the emphasis on quality has had a marked effect on the company's overall business.

The Textile Division produces both consumer and industrial fabrics through Swift Textiles, Inc. and Opp and Micolas Cotton Mills.

Swift has always enjoyed a good basic position in denim and as this fabric became a high fashion item, Swift did well in this category.

Most of the fabrics made by Opp and Micolas tend to be resistant to cyclical changes in the economy, largely because of the less costly end uses to which they are put. Thus long range planning of both purchasing and production is possible to an unusual degree. Opp and Micolas, with its modern plants, should again operate practically at capacity in 1972, continuing to provide Glen Alden with a very satisfactory return on invested capital.

As a result of the good earnings performance during recent years and the strong likelihood of sustained growth during the years ahead, Glen Alden was able to resume payment in 1972 of a quarterly dividend on its common stock.

A broad variety of merchandise entices McCrory-McLellan-Green shoppers.

McCRORY CORPORATION

McCrory Corporation, our 57 per cent-owned retailing subsidiary, reached a new sales peak and achieved its eighth consecutive year of record earnings. Net income rose to $15,401,000, an improvement of $1,265,000 over fiscal 1970.

Expenditures for new stores and equipment during 1971 amounted to $16.7 million. There are now more than 1,600 stores in operation.

McCrory-McLellan-Green Stores, as a result of improved controls, automated buying procedures, advanced training and new store concepts, increased its sales for the eighth consecutive year. It continued to lead its industry with a pre-tax profit as a percentage of sales of 6.9 per cent.

During the year MMG opened 24 new or remodeled stores and closed 20 old or unprofitable units, bringing the total number of stores in operation to 649.

Also in 1971, MMG moved its McCrory Automatic Replenishment System (MARS) from an experimental to an operational status. More than 200 MMG stores are now merchandised by an automatic computer-controlled system that takes "subjectivity" out of buying, replenishes basic merchandise and projects sales. MARS insures that the desired items are in the right store at the right time and delivers increased profits through better utilization of both inventory and manpower resources.

S. Klein Department Stores, Inc. in 1971 extended and refined its systems and controls, reducing the cost of handling merchandise by means of computer-directed merchandising and distribution of goods. Effective controls

S. Klein is well known to the value-wise in the New York, Philadelphia and Washington areas.

In the South and Southwest OTASCO provides customer service as well as products for the car, home and recreation.

and security programs are continuing to reduce shrinkage losses, thus minimizing the impact of an affliction plaguing the retail industry.

S. Klein, with 16 stores at fiscal 1971 year end, is now furthering a concept of increasing its importance in selected market areas by using smaller stores, each with complete merchandise lines, in phase with larger S. Klein units as a central point. In anticipation of opening three of these new-type S. Klein stores during 1972, management concentrated on developing procedures and physical facilities to make stores more attractive and more efficient. The original S. Klein store on 14th Street in Manhattan has been an exciting proving ground for many of the ideas, equipment and fixtures which will ultimately enhance new S. Klein stores.

Otasco Stores continued its pattern of expansion throughout the southern and southwestern states and recorded the best year of its 54-year history. Growth came from dramatically increased sales in new and existing stores. An expanded range of goods and services plus increased efficiency, both within the individual stores and in the central headquarters and distribution center, contributed to this record year.

Expansion included the opening of 34 new stores, bringing the total to 194 company-owned and 346 franchised associate stores. Five stores were closed in 1971 and twelve stores were remodeled.

In its first full year of operation, the new 500,000-square-foot Otasco distribution center and home office building in Tulsa made its contribution to the division's growth. The new center includes one of the largest warehouses in the state of Oklahoma and Otasco's new computer facilities. Computer control of inventory, buying and distribution helped this division achieve greater efficiency during 1971.

From coast to coast Lerner shops mean one thing: the latest fashions at moderate prices.

Lerner Stores Corporation, McCrory's 59 per cent-owned subsidiary, produced another year of record sales and earnings.

During the year, 27 new Lerner Shops were opened, most of them in regional, closed mall shopping centers which now provide the major area for Lerner Shops' expansion. Four stores were closed during 1971 and at year end there were 426 Lerner Shops in operation, 241 of which are in major shopping centers. Lerner Shops' plans for 1972 include the opening of 16 stores, all to be located in suburban shopping centers.

A key to the Lerner success in 1971—indeed, over its entire history—has been the company's commitment to fashion. Highly skilled buying and merchandising personnel are alert to trends as they emerge, and work with suppliers to have up-to-the-minute merchandise in the appropriate stores simultaneous with development of consumer interest.

A contributing factor to the success of this program has been the branch offices and distribution centers located throughout the country. The decentralized operations permit closer supervision of each Lerner Shop and, in turn, enable each store to react promptly to local fashion trends.

Through an April 1972 merger agreement, J. J. Newberry Co. will become a subsidiary of McCrory, if approved by stockholders of both of those companies. Newberry has approximately 750 retail outlets located throughout the United States and Canada which will become part of the forward-moving McCrory organization.

"The Rapid-American Family of Companies is more than a business structure of vast scope. This size permits broad utilization of expert financial planning and managerial skills. Our basic purpose is to accelerate earnings growth and to build enduring strengths for Rapid-American. These goals are management's first order of business."

Meshulam Riklis
Chairman and President
April 20, 1972

RAPID-AMERICAN FAMILY FIN

GLEN ALDEN CORPORATION

	Amount	Change From Last Year
Earnings:		
Net Sales[2]	$1,310,266,000	+ 7.6%
Operating Income[3]	88,695,000	+ 5.7
Income Before Minority Interest and Extraordinary Items[2]	27,271,000	+ 37.6
Income Before Extraordinary Items	28,239,000	+ 14.8
Net Income	31,842,000	+ 42.6
Net Income Applicable to Common Stockholders	27,622,000	+ 75.5
Per Share—Fully Diluted:		
Income Before Extraordinary Items	.93	+ 40.9
Net Income	1.06	+ 82.8
Per Share—Primary:		
Income Before Extraordinary Items	1.20	+ 37.9
Net Income	1.38	+ 81.6
Financial Position:		
Current Assets	$ 745,705,000	− 2.9
Current Liabilities	280,643,000	− 21.8
Working Capital	465,062,000	+ 13.7
Total Assets	1,117,172,000	− 5.9
Stockholders' Equity	244,403,000	− 8.7

(1) Rapid-American and McCrory fiscal years ended January 31, 1972 and Glen Alden year ended December 31, 1971. Certain of the amounts for fiscal 1970 are restated.

(2) From continuing operations (without giving effect to the sale of Panacon).

(3) Income from continuing operations excluding other income and before interest and debt expense, Federal and foreign income taxes, minority interest and extraordinary items.

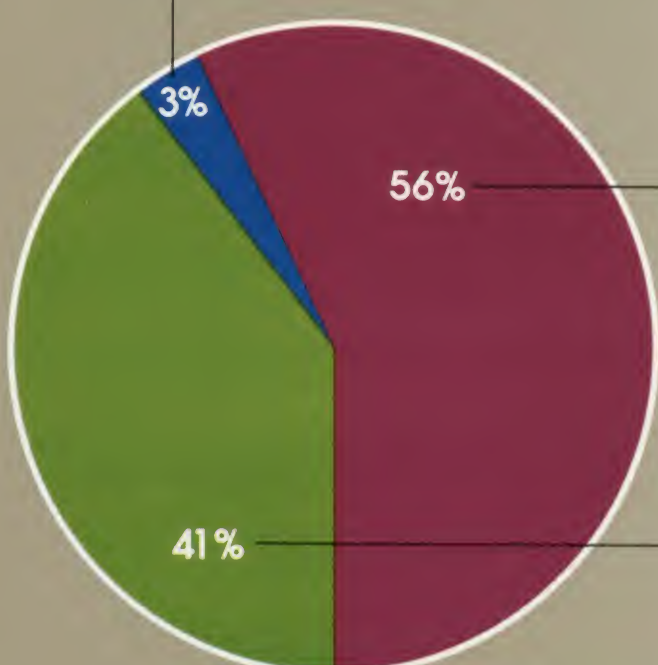
RAPID-AMERICAN CORPORATI

Earnings:

Net Sales[2] . . . .
Operating Income[3] . . . .
Income Before Minority Interest and
Extraordinary Items[2] . . . .
Income Before Extraordinary Items . . . .
Net Income . . . .
Net Income Applicable to Common Shareholde
Per Share—Fully Diluted:
Income Before Extraordinary Items . . . .
Net Income . . . .
Per Share—Primary:
Income Before Extraordinary Items . . . .
Net Income . . . .

Financial Position:

Current Assets . . . .
Current Liabilities . . . .
Working Capital . . . .
Total Assets . . . .
Shareholders' Equity . . . .



NET SALES[2]
$2,328,229,000

NET SALES: $75,664,000[4] (Up 6.3% from fiscal 1970) — **RAPID-AM DIVISI**

Sales	Percentage Change From 1970	Percentage Contribution to Divisions' Total	
$ 19,741,000	+26.7	26.1	CROSS COUN
$ 39,021,000	+ 0.6	51.6	JOSEPH H. CO
$ 16,902,000	+ 0.5	22.3	LEEDS TRAV

NET SALES: $1,310,266,000[4] (Up 7.6% from fiscal 1970) — **GLEN A CORPOR**

Sales	Percentage Change From 1970	Percentage Contribution to Glen Alden Total	
$637,658,000	+ 3.6	48.7	DISTILLED WHISK
$362,061,000	+ 7.7	27.6	CONSUMER
$174,843,000	+25.7	13.3	BUILDING MATERIA
$135,704,000	+ 7.0	10.4	OTH

NET SALES: $943,926,000 (Up 3.9% from fiscal 1970) — **McCR CORPOR**

Sales	Percentage Change From 1970	Percentage Contribution to McCrory Total	
$382,825,000	+ 8.0	40.7	LERNER S
$269,454,000	+ 0.4	28.5	McCRORY-McLE
$111,275,000	+16.2	11.7	OTASCO
$180,372,000	− 5.1	19.1	S. KLE

ANCIAL PORTRAIT-FISCAL 1971[1]

ON 1971 CONSOLIDATED DATA

	Amount	Change From Last Year
	$2,328,229,000	+ 6.4%
	143,883,000	+ 8.0
	44,383,000	+ 44.8
	23,112,000	+ 54.9
	25,575,000	+ 96.3
ers	21,305,000	+ 187.1
	1.75	+ 110.8
	1.98	+ 241.4
	2.72	+ 94.3
	3.08	+ 177.5
	$ 950,634,000	− 0.1
	382,537,000	− 16.6
	568,097,000	+ 15.3
	1,571,808,000	− 3.1
	208,357,000	+ 18.3

McCRORY CORPORATION

	Amount	Change From Last Year
Earnings:		
Net Sales [2]	$943,926,000	+ 3.9%
Operating Income [3]	51,231,000	+ 4.8
Income Before Minority Interest [2]	22,170,000	+ 9.6
Net Income	15,401,000	+ 8.9
Net Income Applicable to Common Stockholders	14,550,000	+ 9.8
Net Income Per Share:		
Fully Diluted	2.34	− 3.7
Primary	3.43	+ 14.7
Financial Position:		
Current Assets	$174,852,000	+ 10.2
Current Liabilities	86,332,000	+ 9.9
Working Capital	88,520,000	+ 10.6
Total Assets	339,642,000	− 2.5
Stockholders' Equity	63,881,000	− 25.0

(4) Sales to other members of the Rapid-American Family of Companies have not been eliminated.

(5) Based on amounts which differ from Operating Income above since the companies treat corporate overhead, other income and discontinued operations in varying manners.

ERICAN ONS — OPERATING INCOME: $3,957,000[3] (Up 309.6% from fiscal 1970)

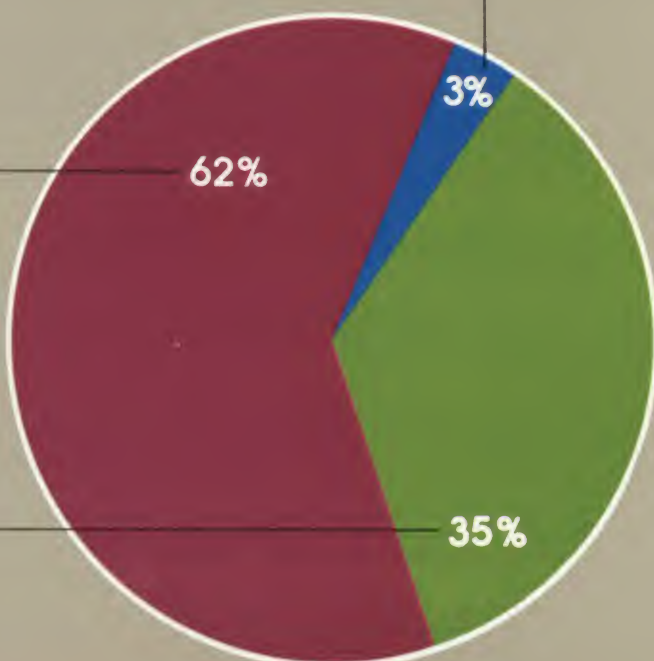
	Percentage Change From 1970 (5)	Percentage Contribution to Divisions' Total (5)
TRY CLOTHES	+ 55.0	49.3
HEN & SONS	+ 1179.0	34.9
ELWEAR	− 2.5	15.8

LDEN ATION — OPERATING INCOME: $88,695,000[3] (Up 5.7% from fiscal 1970)

	Percentage Change From 1970 (5)	Percentage Contribution to Glen Alden Total (5)
EY AND SPIRITS	+ 11.2	47.7
PRODUCTS	+ 18.6	36.2
LS AND SUPPLIES	+ 47.3	12.5
ER	− 42.1	3.6

ORY ATION — OPERATING INCOME: $51,231,000[3] (Up 4.8% from fiscal 1970)

	Percentage Change From 1970 (5)	Percentage Contribution to McCrory Total (5)
HOPS	+ 8.8	52.1
LLAN-GREEN	+ 0.2	30.1
STORES	+ 28.9	17.6
N	− 89.7	0.2



OPERATING INCOME[3]
$143,883,000

Rapid-American Family of Companies

Principal Offices and Products

RAPID-AMERICAN CORPORATION

Executive Offices:
711 Fifth Ave., New York, N.Y. 10022

RAPID-AMERICAN DIVISIONS

Cross Country Clothes

Executive Offices:
39 W. 21st St., Northampton, Pa. 18067
Sales Offices:
1290 Ave. of the Americas
New York, N.Y. 10019

Manufactures popular and medium priced men's suits and sport coats, primarily as a supplier to large stores and chains.

Leeds Travelwear

Executive and Sales Offices:
295 Fifth Ave., New York, N.Y. 10016

Manufactures luggage, including soft-sided, light-weight aluminum-frame and wood-box frame lines, attache cases, bowling and club bags. It also distributes golf bags made to Leeds specifications. Among its luggage brand names are *Prego* and *Urbanite*. *Roto-cast* is its process for making seamless, waterproof sport bags and other cases.

Joseph H. Cohen & Sons

Executive and Sales Offices:
1290 Ave. of the Americas
New York, N.Y. 10019

Manufactures popular and medium priced men's tailored clothing for chain, department and independent men's stores. It produces merchandise that generally is sold under store brand names.

GLEN ALDEN CORPORATION

Executive Offices:
888 Seventh Ave., New York, N.Y. 10019

International Playtex Corporation

Executive and Sales Offices:
888 Seventh Ave., New York, N.Y. 10019

Manufactures and markets foundation garments and family products. Among its brands are *Playtex* and *Sarong* Girdles and Bras, *Playtex Living* Glovės, *Playtex* Baby Nursers, *Playtex* Baby Pants, *Tek* Toothbrushes, *Playtex* Tampons and *Playtex* Swim Caps.

Schenley Industries, Inc.

Executive and Sales Offices:
888 Seventh Ave., New York, N.Y. 10019

Produces, imports and markets a broad line of Bourbon, Scotch, Canadian and blended whiskies, other distilled spirits and wines—among them some of the nation's best known brands, including *Dewar's "White Label"* Scotch; *I. W. Harper, Old Charter*, and *Ancient Age* Bourbons; O.F.C. Canadian Whisky; *Schenley Reserve* Blended Whiskey; *George Dickel* Tennessee Sour Mash Whisky; *Plymouth* Gin; *Coronet VSQ* and *Stock* Brandy; *Dubonnet* Aperitif; *Mateus* Wine; *Strega* and *DuBouchett* Liqueurs and Cordials, *Heidsieck Monopole* and *Krug* Champagnes.

The B.V.D. Company, Inc.

Executive Offices:
888 Seventh Ave., New York, N.Y. 10019

Manufactures and markets men's, boys' and women's clothing and furnishings. Among its brands are *B.V.D.* Underwear, Shirts, Robes, Pajamas and Slacks, *Almar* and *Dolphin* Rainwear, *Anvil* and *Lady Anvil* Slacks, *Beau Brummell* and *Mr. John* Ties, *Fawn* Infants' Wear, *Rockingham* Clothes, *Donzini* Clothes, *Meadow* Sportswear, *Wonderknit* Knit Shirts and Sweaters, *Botany* Boy's Knit Shirts and Sweaters, *Manfredo* Shirts and *Zap* Knit Shirts.

Textile Division
Swift Textiles, Inc.

Executive and Sales Offices:
1410 Sixth Ave., Columbus, Ga. 31902

Produces fabrics for apparel use, including cotton, blue and fancy denims. Brand names include: *Free-Dems* and *Swifticates*.

The Micolas Cotton Mills
Opp Cotton Mills

Executive and Sales Offices:
111 W. 40th St., New York, N.Y. 10018

Produces fabrics for the automotive, bedding, furniture, packaging, filtration and insulation material, shoe, and wall-covering industries.

McCRORY CORPORATION

Executive Offices:
360 Park Ave. So., New York, N.Y. 10010

McCrory-McLellan-Green Stores (MMG)

Executive and Main Buying Offices:
2955 E. Market St., York, Pa. 17402

Operates one of the most modern chains in the country, selling apparel, accessories, cosmetics, hardware, household articles, stationery, toys, games, books and other merchandise. More than half of its 649 stores offer food service. Stores are in downtown and suburban shopping center locations in the District of Columbia and 38 states, chiefly in the middle Atlantic and southern areas.

S. Klein Department Stores, Inc..

Executive and Main Buying Offices:
360 Park Ave. So., New York, N.Y. 10010

Operates a chain of 16 full-line department stores offering fashion and staple merchandise. A pioneer high-volume merchandising organization with its famous Union Square, New York City *(S. Klein on the Square)* store, it continues to be a retailing innovator in the metropolitan areas of New York City, Philadelphia and Washington, D.C.

Otasco Stores

Executive and Main Buying Offices:
11333 E. Pine St., Tulsa, Okla. 74102

Sells tires, batteries, auto accessories and parts, home appliances, sporting goods and housewares through 540 outlets, over one-third company-owned and the rest franchised associate stores, in 13 southern and southwestern states.

Lerner Stores Corporation

Executive and Main Buying Offices:
460 W. 33rd St., New York, N.Y. 10001

Operates the nation's largest chain specializing in women's and children's fashion apparel at moderate prices. From coast to coast, in 39 states, the District of Columbia and Puerto Rico, there are 426 Lerner Shops, more than half in modern shopping center locations.

The cover design illustrates the structure of the Rapid-American Family of Companies—all units shown are wholly-owned companies or divisions at fiscal 1971 year end except as follows: Rapid-American owns 75% of the outstanding common stock of Glen Alden Corporation and 57% of the outstanding common stock of McCrory Corporation. McCrory owns 59% of the outstanding common stock of Lerner Stores Corporation and Glen Alden owns all of the outstanding equity securities of Schenley Industries, Inc. except its cumulative preference stock.

Note: Product names printed in *italics* indicate trademarks or trade names.

FINANCIAL STATEMENTS

.RPD.RPD.RPD.

Rapid-American Corporation

(Parent Company)

CONDENSED BALANCE SHEET

ASSETS					January 31, 1972
Current Assets					$ 31,889,000
	Number of Shares Owned	Approximate Market Quotation Value	Percentage of Outstanding	Carrying Value at Equity	
Investment in Common Stock of:					
Glen Alden Corporation	13,061,716	$146,944,000	74.6	$175,795,000	
McCrory Corporation	2,151,339	60,775,000	56.5	27,193,000	
		$207,719,000			202,988,000
Property, Plant and Equipment, net					16,071,000
Excess of Cost of Investments over Related Equities					70,678,000
Deferred Charges, etc.					2,046,000
					$323,672,000

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		$ 17,374,000
Long-term Debt:		
Notes payable, due 1972 to 1979	$ 42,750,000	
Mortgages, due 1972 to 1995	6,320,000	
Subordinated debentures, due 1994	51,766,000	
	100,836,000	
Less current maturities ($5,195,000) and unamortized debt discount	17,508,000	
		83,328,000
Other Non-current Items		1,985,000
Convertible Debt, less current maturities		9,006,000
Shareholders' Equity		211,979,000
		$323,672,000

See Schedules and Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries

STATEMENTS OF CONSOLIDATED INCOME

	Year Ended January 31, 1972	1971
Revenues:		
Net sales	$2,328,229,000	$2,188,904,000
Other—net	9,301,000	6,766,000
	2,337,530,000	2,195,670,000
Costs and Expenses:		
Cost of goods sold	1,704,339,000	1,608,782,000
Selling, advertising, general and administrative expenses	453,831,000	422,258,000
Interest and debt expense	74,966,000	82,509,000
Depreciation and amortization	26,176,000	24,694,000
Federal and foreign income taxes	33,835,000	26,782,000
	2,293,147,000	2,165,025,000
Income From Continuing Operations Before Minority Interest and Extraordinary Items	**44,383,000**	**30,645,000**
Minority interest in continuing operations	22,877,000	20,948,000
Income From Continuing Operations Before Extraordinary Items	**21,506,000**	**9,697,000**
Income from operations discontinued or sold	1,606,000	5,222,000
Income Before Extraordinary Items	**23,112,000**	**14,919,000**
Extraordinary items	2,463,000	(1,889,000)
Net Income	**25,575,000**	**13,030,000**
Consolidated preferred dividend requirements	4,270,000	5,609,000
Net Income Applicable To Common Shareholders	**$ 21,305,000**	**$ 7,421,000**
EARNINGS PER SHARE OF COMMON STOCK:		
Primary:		
Income before extraordinary items:		
From continuing operations	$2.48	$ .61
From operations discontinued or sold	.24	.79
Total	2.72	1.40
Extraordinary items	.36	(.29)
Net Income	**$3.08**	**$1.11**
Fully Diluted:		
Income before extraordinary items:		
From continuing operations	$1.57	$ .44
From operations discontinued or sold	.18	.39
Total	1.75	.83
Extraordinary items	.23	(.25)
Net Income	**$1.98**	**$ .58**

See Schedules and Notes to Financial Statements.

CONSOLIDATED

ASSETS	January 31, 1972	1971
Current Assets:		
Cash, including certificates of deposit	$ 134,649,000	$ 120,371,000
Marketable securities, at cost which approximates market	16,435,000	14,133,000
Trade receivables, less allowances ($7,970,000 and $9,076,000)	197,941,000	211,455,000
Inventories	559,742,000	570,424,000
Other receivables, prepaid expenses, etc.	41,867,000	35,219,000
	950,634,000	**951,602,000**
Investments in and Advances to:		
Long John International Ltd., at equity	20,210,000	19,573,000
McCrory Credit Corporation, at equity	12,858,000	12,473,000
Other investments, etc., substantially at cost	25,807,000	3,863,000
	58,875,000	**35,909,000**
Property, Plant and Equipment	576,788,000	665,417,000
Less accumulated depreciation and amortization	302,866,000	351,856,000
	273,922,000	**313,561,000**
Other Assets:		
Excess of cost of investments over related equities	193,479,000	220,120,000
Franchises	50,000,000	50,000,000
Deferred charges and unamortized goodwill	13,537,000	19,112,000
Deferred stock bonus expense	3,720,000	5,650,000
Mortgages and sundry	27,641,000	25,496,000
	288,377,000	**320,378,000**
	$1,571,808,000	**$1,621,450,000**

See Schedules and Notes to Financial Statements.

BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY	January 31, 1972	1971
Current Liabilities:		
Short-term debt	$ 98,723,000	$ 149,965,000
Current maturities of long-term and convertible debt, less unamortized debt discount	44,281,000	83,891,000
Accounts payable	92,109,000	89,070,000
Accrued expenses and sundry	116,541,000	108,884,000
Accrued Federal and foreign income taxes	30,883,000	26,871,000
	382,537,000	**458,681,000**
Long-term Debt, less current maturities and unamortized debt discount	**712,602,000**	**643,758,000**
Deferred Income Taxes and Other	**100,222,000**	**81,120,000**
Minority Interest in Subsidiary Companies	**144,191,000**	**231,455,000**
Convertible Debt, less current maturities and unamortized debt discount	**23,899,000**	**30,375,000**
Shareholders' Equity:		
Preferred stock	795,000	799,000
Common stock, $1 par value, authorized 20,000,000 shares, issued (1972) 7,292,420 shares and (1971) 7,266,240 shares, less treasury stock (1972) 101,554 shares and (1971) 620,928 shares	7,191,000	6,645,000
Capital surplus	249,283,000	207,506,000
Earned surplus	40,763,000	21,755,000
Equity in subsidiaries' cost of their treasury stock and subsidiary's cost of investment in Rapid-American Corporation common stock (less par value) and warrants	(89,675,000)	(60,644,000)
	208,357,000	**176,061,000**
	$1,571,808,000	**$1,621,450,000**

See Schedules and Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

For the Two Years Ended January 31, 1972

	Preferred Stock	Common Stock	Capital Surplus	Earned Surplus	Subsidiaries' Cost of Treasury Stock*
Balance at February 1, 1970	**$851,000**	**$6,568,000**	**$207,526,000**	**$25,173,000**	**$(65,105,000)**
Net income				13,030,000	
Dividends:					
On preferred stock				(935,000)	
On common stock ($.5625 per share)				(4,038,000)	
Exercise of stock options	1,000		7,000		
Conversion of preferred stock	(53,000)	79,000	(26,000)		
Repurchase of stock bonus shares		(2,000)	(46,000)		
Equity in certain transactions of subsidiaries			45,000	(11,475,000)	4,461,000
Balance at January 31, 1971	**799,000**	**6,645,000**	**207,506,000**	**21,755,000**	**(60,644,000)**
Net income				25,575,000	
Dividends on preferred stock				(896,000)	
Exercise of stock options	1,000	19,000	214,000		
Conversion of preferred stock	(5,000)	8,000	(3,000)		
Equity in certain transactions of subsidiaries			41,566,000	(5,671,000)	(52,720,000)
Issuance by subsidiary (at its cost) of investment in Rapid common stock and warrants		519,000			23,689,000
Balance at January 31, 1972	**$795,000**	**$7,191,000**	**$249,283,000**	**$40,763,000**	**$(89,675,000)**

* Consists of equity in subsidiaries' cost of their treasury stock and subsidiary's cost of investment in Rapid common stock (less par value) and warrants.

See Schedules and Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries

STATEMENTS OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	Year Ended January 31, 1972	1971
Funds Provided:		
Operations:		
Income before extraordinary items	$23,112,000	$14,919,000
Charges not requiring current outlays:		
Depreciation and amortization, including debt and stock bonus expense, etc.	37,843,000	32,390,000
Income applicable to minority interest (less dividends paid of $9,694,000 and $12,825,000)	14,503,000	12,192,000
Deferred income taxes	1,646,000	3,808,000
Funds provided by operations, exclusive of extraordinary items	77,104,000	63,309,000
Funds provided by income (used by loss) from extraordinary items	2,463,000	(1,889,000)
Issuance and assumption of long-term debt	167,895,000	43,501,000
Businesses sold—net (exclusive of working capital of $14,186,000)	110,940,000	—
Rapid common shares and warrants issued by a subsidiary	24,208,000	—
Increase in other non-current liabilities	23,345,000	7,487,000
Disposals of property, plant and equipment	13,638,000	11,028,000
Certain transactions of subsidiaries—net	13,108,000	1,881,000
	432,701,000	125,317,000
Funds Applied:		
Reduction in long-term and convertible debt	110,480,000	42,374,000
Acquisition of minority interest of a subsidiary	98,024,000	—
Acquisition by subsidiaries of their treasury shares	81,445,000	—
Additions to property, plant and equipment	41,630,000	58,214,000
Increase (decrease) in other investments	21,944,000	(1,847,000)
Cash dividends	896,000	4,973,000
Other—net	3,106,000	6,726,000
	357,525,000	110,440,000
Increase in Working Capital	**$75,176,000**	**$14,877,000**

Increase (Decrease) in Working Capital by Components:		
Cash, including certificates of deposit	$14,278,000	$24,398,000
Marketable securities	2,302,000	232,000
Trade receivables, less allowances	(13,514,000)	(2,527,000)
Inventories	(10,682,000)	(21,347,000)
Other receivables, prepaid expenses, etc.	6,648,000	3,380,000
Short-term debt	51,242,000	17,069,000
Current maturities of long-term and convertible debt	39,610,000	1,451,000
Accounts payable	(3,039,000)	(1,827,000)
Accrued expenses and sundry	(7,657,000)	(5,306,000)
Accrued Federal and foreign income taxes	(4,012,000)	(646,000)
Increase in Working Capital	**$75,176,000**	**$14,877,000**

See Schedules and Notes to Financial Statements.

SCHEDULES OF INVENTORIES AND PROPERTY, PLANT AND EQUIPMENT

	January 31, 1972	January 31, 1971
Inventories:		
At lower of cost or market:		
Principally first-in, first-out and average cost:		
Merchandise at stores, plants and warehouses	$ 98,397,000	$ 90,432,000
Work in process	32,148,000	26,600,000
Raw materials and supplies	72,179,000	73,020,000
Retail method—at stores and warehouses	96,758,000	92,556,000
At identified cost—merchandise in transit, at warehouses and at restaurants	18,519,000	15,068,000
At cost—whiskey, other spirits and wine:		
In bond	207,553,000	247,763,000
Tax paid	34,188,000	24,985,000
	$559,742,000	**$570,424,000**

The in bond inventory is subject to payment of excise taxes upon removal from Government controlled premises.

	January 31, 1972	January 31, 1971
Property, Plant and Equipment—at cost:		
Land	$ 9,174,000	$ 32,751,000
Buildings, store properties, warehouses and leased facilities	140,765,000	195,492,000
Furniture and fixtures and leasehold improvements	248,514,000	255,573,000
Machinery and equipment	178,335,000	181,601,000
	$576,788,000	**$665,417,000**

Depreciation and amortization is generally provided for on the straight-line method over the estimated service lives of the properties.

See Notes to Financial Statements.

SCHEDULE OF LONG-TERM AND CONVERTIBLE DEBT

For the Two Years Ended January 31, 1972

	Interest Rate Stated	Interest Rate Effective	Consolidated	Rapid	Glen Alden	McCrory
Long-term Debt:						
At January 31, 1972:						
Notes and mortgages payable, due 1972 to 1986	3-9½%	3-10½%	$285,174,000	$ 49,070,000	$234,130,000(A)	$ 1,974,000
Revolving credit notes (B)	4¾	4¾	20,300,000			20,300,000
Subordinated debentures, due 1994	7	8¾	51,766,000	51,766,000		
Sinking fund subordinated debentures, due 1976 to 1994	5-10½	5-11³⁄₁₀	515,069,000		400,190,000	114,879,000
			872,309,000	100,836,000	634,320,000	137,153,000
Less current maturities and unamortized debt discount			159,707,000	17,508,000	124,876,000	17,323,000
			$712,602,000	**$ 83,328,000**	**$509,444,000**	**$119,830,000**
At January 31, 1971			**$643,758,000**	**$ 76,094,000**(A)	**$451,771,000**(A)	**$115,893,000**
Convertible Debt:						
At January 31, 1972:						
Subordinated debentures, due 1973 to 1992	5-7%	5-7%	$ 24,115,000	$ 9,006,000(C)	$ 10,814,000	$ 4,295,000
Subordinated notes, due 1972	6	6	2,666,000	2,666,000(D)		
			26,781,000	11,672,000	10,814,000	4,295,000
Less current maturities and unamortized debt discount			2,882,000	2,666,000		216,000
			$ 23,899,000	**$ 9,006,000**	**$ 10,814,000**	**$ 4,079,000**
At January 31, 1971			**$ 30,375,000**	**$ 11,672,000**	**$ 10,814,000**	**$ 7,889,000**

Long-term and Convertible Debt Maturities(E):

Years ending January 31,

	Consolidated	Rapid	Glen Alden	McCrory
1973	$ 44,365,000	$ 7,861,000	$ 36,048,000	$ 456,000
1974	74,474,000	12,753,000	41,067,000	20,654,000
1975	39,466,000	6,713,000	31,080,000	1,673,000
1976	30,618,000	8,724,000	20,291,000	1,603,000
1977	52,984,000	19,623,000	19,817,000	13,544,000
	$241,907,000	$ 55,674,000	$148,303,000	$ 37,930,000

NOTES:

A. Rapid excludes $3,778,000 principal amount of debentures, less unamortized debt discount, held by McCrory; Glen Alden excludes a $309,000 obligation due an affiliate.

B. 90 day promissory notes to banks, renewable pursuant to a revolving credit agreement at each maturity to June 30, 1973. It is the intention to renew these notes to June 30, 1973.

C. Convertible into Rapid Common Stock at $21.25 per share, subject to anti-dilution.

D. Convertible into Rapid Common Stock at $30.00 per share, subject to anti-dilution.

E. Before deduction of unamortized debt discount.

See Notes to Financial Statements.

RAPID-AMERICAN CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

Principles of consolidation

The consolidated financial statements include Rapid and its subsidiaries Glen Alden Corporation and McCrory Corporation. All references to January 31 include Glen Alden financial data at December 31.

The Glen Alden consolidated financial statements include all subsidiaries except Long John International Ltd., (formerly Seager Evans & Co., Ltd.) a 75% owned subsidiary in the United Kingdom, and certain other foreign subsidiaries whose assets and operations are not significant.

The accounts of foreign subsidiaries have been translated at appropriate exchange rates and resulting gains or losses, which have not been material, have been reflected in income.

The McCrory consolidated financial statements include all subsidiaries, except McCrory Credit Corporation.

To facilitate comparisons with the current year, certain amounts in the prior year have been restated and reclassified.

McCrory Credit Corporation and equity in instalment accounts sold

Rapid and its affiliates assign certain customers' accounts receivable to McCrory Credit Corporation, which remits 90% of the amount thereof. The companies accept reassignment of any accounts in default, as defined. The 10% equity of Rapid in assigned accounts (the uncollected balances of which amount to $68,414,000 at January 31, 1972) is included in trade receivables in the consolidated balance sheets. Collections in January 1972 (payable to McCrory Credit Corporation in February 1972) from assigned customers' accounts (net of 10% equity) amounting to $19,386,000 have been deducted from trade receivables in the consolidated balance sheets. The investment in McCrory Credit Corporation is carried at McCrory's equity in the capital and undistributed earnings at January 31, 1972 as summarized below:

Accounts receivable, less unearned discount	$66,040,000	
Cash	9,590,000	
Other assets, less other liabilities	528,000	$76,158,000
Notes payable to banks	63,300,000	
Notes payable to McCrory and subsidiary	8,000,000	71,300,000
McCrory's equity		$ 4,858,000

Net income of McCrory Credit Corporation for the years ended January 31, 1972 and 1971 was $385,000 and $223,000, respectively. Rapid's equity in each year's net income is included in consolidated net income.

Investments in consolidated subsidiaries

Glen Alden Corporation—Rapid owned at January 31, 1972 and 1971, 13,061,716 shares (74.6% and 63.7%, respectively) of Glen Alden common stock. At January 31, 1972, 7,000,000 of these shares were pledged as collateral to secure $20,000,000 of notes payable by Rapid.

McCrory Corporation—Rapid owned at January 31, 1972 and 1971, 2,151,339 shares and 2,471,268 shares (56.5% and 55.4%, respectively) of McCrory common stock. At January 31, 1972 these shares were pledged as collateral to secure $13,550,000 of notes payable by Rapid.

At January 31, 1972 the aggregate unallocated cost of investments exceeded equity in underlying net assets at dates of acquisition as follows: common stock of Glen Alden ($55,093,000) and its subsidiaries ($102,174,000), common stock of McCrory ($1,253,000) and its subsidiaries ($20,627,000) and operating assets of Rapid's divisions ($14,332,000). The excess purchase costs have been recognized by the managements of Rapid, Glen Alden and McCrory as being similar in nature to intangibles which have not declined in value since acquisition. Accordingly, at dates of acquisition, such managements adopted the policy, in accordance with Accounting Research Bulletin 43, of not amortizing these excess purchase costs so long as there is no diminution in value of the related investments. Franchises consist of Schenley Industries, Inc. contracts to import whiskeys, liquors, and other distilled spirits, which, in the opinion of management of Glen Alden, have continuing value and accordingly are not being amortized.

Glen Alden, subsequent to the close of its 1970 fiscal year, sold RKO-Stanley Warner Theatres, Inc. for $21,500,000. The net proceeds of such sale closely approximated the carrying value of the assets sold after consideration of related credits (arising in 1968 and 1969) included in "Excess of cost of investments over related equities".

In addition, Schenley sold (a) all the stock of The Buckingham Corporation for $120,000,000 in cash and notes, subject to reduction, and (b) certain assets connected

with its California wine business for approximately $13,200,000. Glen Alden's equity in the gain from such sales, reduced by its equity in certain charges of Schenley, was credited to "Excess of cost of investments over related equities".

During June 1971, as a result of the merger of Schenley with a wholly-owned subsidiary of Glen Alden, Glen Alden increased its ownership in Schenley from 86% of Schenley common stock to all outstanding equity securities of Schenley, except its cumulative preference stock. In connection therewith, some former Schenley minority shareholders have availed themselves of certain rights of appraisal; accordingly, included in the consolidated balance sheet at January 31, 1972 in "Investments in and Advances to—Other investments, etc." and "Deferred Income Taxes and Other" are funds segregated and the contra estimated liability for appraisal claims of such former shareholders of Schenley.

Long-term and convertible debt

Aggregate long-term and convertible debt matures as follows:

Five-Year Periods Ending January 31,	
1977	$241,907,000
1982	147,400,000
1987	166,498,000
1992	261,407,000
1997	81,878,000

Agreements covering certain indebtedness of Rapid and its subsidiaries contain covenants concerning working capital position, additional indebtedness and restrictions on transactions in capital stock. Rapid is prohibited from the declaration and payment of cash dividends on its common stock.

Income taxes

At January 31, 1972 and 1971, deferred income taxes included in the accompanying consolidated balance sheets in "Deferred Income Taxes and Other" amounted to $37,893,000 and $42,232,000, respectively. Deferred income taxes for the years ended January 31, 1972 and 1971 in the amount of $1,897,000 and $3,808,000, respectively, have been provided for the tax effects of items (principally depreciation, instalment sales, amortization, deferred compensation, pensions and warranties) reported in different periods for tax and financial reporting purposes.

Available investment tax credits applied as a reduction of January 31, 1972 and 1971 Federal income tax provisions were approximately $1,126,000 and $493,000, respectively. At January 31, 1972, based upon Federal income tax returns filed or to be filed, which are subject to review by the Internal Revenue Service, Rapid has operating loss carry-overs of approximately $14,000,000.

Preferred stock

At January 31, 1972, $2.25 Cumulative Convertible Preferred Stock of Rapid was as follows:

Number of shares:		
Originally authorized		1,100,000
Issued and outstanding		397,794
Per share:		
Par value	$	2.00
Redemption price	$	47.25
Liquidation preference	$	45.00
Conversion rate		3 for 1
Shares of common stock reserved for conversion of stock outstanding		1,193,382
Aggregate par value of stock outstanding	$	795,000
Aggregate liquidation preference of stock outstanding		$17,901,000

During the years ended January 31, 1972 and 1971, options to purchase 684 and 605 shares, respectively, were exercised at prices ranging from $11.25 to $23.31. At January 31, 1972 there were no options outstanding and no new options remain to be granted.

Common stock

Rapid's qualified stock option plan authorizes the grant to officers, other executives and key employees of options to purchase 200,000 shares of common stock at not less than 100% of fair market value on the dates of grant. Option data were as follows:

	Option Price Range	Number of Shares
Outstanding,		
February 1, 1971	$ 8.17-$24.50	41,995
Exercised	$ 8.17-$12.75	(18,950)
Cancelled	$ 8.17-$24.50	(1,945)
Outstanding,		
January 31, 1972	$17.50-$24.50	21,100
At January 31, 1972:		
Exercisable	$17.50-$24.50	21,100
Available for grant	—	50,060

During the year ended January 31, 1971 no options were granted or exercised and options for 25,465 shares were cancelled.

At January 31, 1972 warrants entitling their holders to purchase shares of Rapid's common stock were as follows:

Expiration Date	Exercise Price	Number of Warrants
May 1976	$ 8.50	100,000
June 1976	5.00	100,000
May 1994 (redeemable at $20)	35.00	6,315,340
Total		6,515,340

At January 31, 1972 McCrory owned 155,368 redeemable warrants (not included above) and 77,684 shares of Rapid's common stock, which have been included with treasury stock in the accompanying consolidated financial statements. During the year ended January 31, 1972, McCrory, as a result of a tender offer for its own common stock, exchanged 1,038,748 Rapid warrants and 519,374 shares of Rapid common stock with McCrory stockholders other than Rapid.

At January 31, 1972 there were 199,908 shares of McCrory common stock reserved for the conversion of McCrory preferred and preference stocks and debentures, 312,970 shares of McCrory common stock reserved for issuance under stock option plans and 3,232,190 McCrory common stock purchase warrants outstanding.

At December 31, 1971 there were 7,854,569 shares of Glen Alden common stock reserved for the conversion of Glen Alden preferred and preference stocks and debentures and 1,099,988 shares of Glen Alden common stock reserved for issuance under stock option plans.

Rapid and its subsidiaries adopted stock bonus plans in 1968. The excess of the market values of Rapid's and its subsidiaries' shares on the dates of allocation over the par value thereof is being charged to income ratably over periods not exceeding eight years from date of issuance. Amortization for the years ended January 31, 1972 and 1971 amounted to $1,236,000 and $1,456,000, respectively.

Pension plans

McCrory and Lerner have non-contributory pension plans covering certain of their employees. Pension costs accrued are funded as required. For the years ended January 31, 1972 and 1971 these costs amounted to $697,000 and $665,000, respectively. The past service costs in respect of certain of these plans was approximately $1,750,000 at January 31, 1972, which is being amortized over the next 27 years.

Glen Alden and its subsidiaries have various contributory and non-contributory retirement plans covering eligible employees. The amount charged to income and production costs under the plans was $4,048,000 and $4,116,000 for the years ended December 31, 1971 and 1970, respectively. It is the policy of Glen Alden to fund pension cost accrued except for Schenley and Panacon which fund pension costs as required under Federal income tax regulations. As of December 31, 1971, the actuarially computed value of vested benefits under applicable plans exceeded the total of the related pension funds and balance sheet accruals by approximately $5,000,000. Unfunded prior service costs amounted to approximately $16,700,000 at December 31, 1971 substantially all of which is being funded over various periods not exceeding thirty years.

Commitments and contingencies

There are a number of lawsuits and claims, including antitrust actions and claims of certain former minority shareholders, pending against Rapid and its subsidiaries together with other contingencies (including long-term leases on locations at which operations have been or may be discontinued). Management and counsel are of the opinion that the ultimate liability, if any, will not materially affect the consolidated financial position of Rapid and its subsidiaries. At January 31, 1972 the minimum annual rentals upon property leased to Rapid and its subsidiaries under leases expiring after January 1975 amount to approximately $55,800,000 plus, in certain instances, real estate taxes, insurance, etc.

At December 31, 1971 Glen Alden was guarantor of approximately $66,000,000 of notes and other obligations.

Earnings per share of common stock

Primary earnings per share is based on the weighted average number of common shares outstanding during each year and gives effect to the assumed conversion of common stock equivalents. Pursuant to a recent opinion of the Accounting Principles Board, Rapid's equity in preferred dividend requirements of its consolidated subsidiaries ($3,375,000 and $4,684,000 for the years ended January 31, 1972 and 1971, respectively) have been deducted in determining net income applicable to common shareholders and primary income

per share amounts; accordingly, the primary net income per share ($1.82) reported for the year ended January 31, 1971 has been restated.

Fully diluted earnings per share gives effect to the assumed conversion of dilutive convertible securities into common stock and to the exercise of dilutive stock options and warrants with proceeds therefrom generally applied to the purchase of common treasury stock and the balance, where applicable, to reduce outstanding debt.

Extraordinary items

	Year Ended January 31, 1972	1971
Rapid's equity in transactions of non wholly-owned subsidiaries:		
Credit equivalent to reduction in Panacon's taxes arising from utilization of net operating loss carryovers	$2,732,000	$ 815,000
Net loss on discontinuance and disposals of certain operating units, net of income taxes	(114,000)	(2,264,000)
Provision for approximate decline in market quotation value of an investment in a security, etc., net of income tax	(155,000)	—
Loss on sale of securities by wholly-owned subsidiary	—	(440,000)
Total	$2,463,000	$ (1,889,000)

Operations discontinued or sold

Subsidiaries of Rapid discontinued or sold certain operations during the two years ended January 31, 1972. Accordingly, the net sales and related expenses (including provision for income taxes and equity of minority interest) applicable to such discontinued or sold operations prior to their sale or discontinuance have been excluded from the respective captions in the statements of consolidated income for the years ended January 31, 1972 and 1971 and have been shown net under the caption "Income from operations discontinued or sold". Net sales relating to discontinued or sold operations in the years ended January 31, 1972 and 1971 were $16,997,000 and $120,460,000, respectively.

Subsequent events

On February 8, 1972 Rapid, through a public cash tender offer at $22 per share, acquired 950,000 shares (approximately 49%) of the common stock of J. J. Newberry Co. Rapid pledged 6,000,000 shares of Glen Alden common stock and 475,000 shares of Newberry common stock to secure a borrowing of $20,000,000; the proceeds therefrom being used to purchase the Newberry shares.

On April 10, 1972 McCrory and Newberry entered into a merger agreement, subject to approval by stockholders of both companies, whereby Newberry will become a subsidiary of McCrory. The terms of the merger agreement provide that Newberry stockholders (including Rapid) receive for each share of Newberry common stock either 0.7 of a share of McCrory common stock or $30 principal amount of a new McCrory 7⅝% sinking fund subordinated debenture due in 1997.

In March 1972 a subsidiary of Glen Alden entered into an agreement to sell, contingent on certain future events, its retail division for $16,000,000 consisting of $9,500,000 in cash and $6,500,000 principal amount of 4% subordinated promissory notes, due June 1, 1982.

On April 17, 1972 Glen Alden sold its 89% interest in the equity securities of Panacon Corporation for $62,000,000 in cash. Panacon's total revenues for the year ended December 31, 1971 were approximately $181,129,000. Rapid's equity in Panacon's income before extraordinary credits was approximately $3,712,000.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

ACCOUNTANTS' OPINION

To The Board of Directors and Shareholders
of Rapid-American Corporation:

We have examined the consolidated financial statements of Rapid-American Corporation and subsidiaries for the years ended January 31, 1972 and 1971, and the condensed balance sheet of Rapid-American Corporation (Parent Company) as of January 31, 1972. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain subsidiaries whose contribution to consolidated revenues was approximately 17% for each of the years ended January 31, 1972 and 1971. These statements were examined by other accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely upon such reports of the other accountants.

In our opinion, based upon our examination and the reports of other accountants, the accompanying consolidated balance sheets and statements of consolidated income, consolidated shareholders' equity and changes in consolidated financial position present fairly the financial position of Rapid-American Corporation and subsidiaries at January 31, 1972 and 1971 and the results of their operations and the changes in their consolidated financial position for the years then ended, and the accompanying condensed balance sheet summarizes fairly the financial position of Rapid-American Corporation (Parent Company) at January 31, 1972, in conformity with generally accepted accounting principles applied on a consistent basis after the restatement referred to in the "Earnings per share of common stock" note.

Haskins + Sells

March 23, 1972
(Certain information in the "Subsequent events" note being as of later dates)

PRINCIPAL PUBLICLY TRADED SECURITIES OF THE RAPID-AMERICAN FAMILY OF COMPANIES

Company	Security	Stock Exchange Listing(s)	Outstanding*
Rapid-American Corporation Symbol: **RPD**	Common Stock	New York Cincinnati Pacific Coast	7,268,550 shs.
	Redeemable Warrants, expiring 1994	American Pacific Coast	6,470,708 wts.
	$2.25 Cumulative Convertible Preferred Stock	New York	397,794 shs.
	5¾% Convertible Subordinated Debentures, due 1977	American	$9,005,640
	7% Subordinated Debentures, due 1994	New York	$51,765,664
Glen Alden Corporation Symbol: **GA**	Common Stock	New York	17,477,216 shs.
	$2.25 Senior Cumulative Convertible Preferred Stock	New York	378,969 shs.
	Class B Senior Cumulative Convertible ($3) Preferred Stock	New York	708,163 shs.
	$3.15 Cumulative Convertible Preferred Stock	New York	98,703 shs.
	6% Sinking Fund Subordinated Debentures, due 1988	New York	$357,293,300
	7½% Sinking Fund Subordinated Debentures, due 1985	New York	$78,464,709
McCrory Corporation Symbol: **MS**	Common Stock	New York Midwest Pacific Coast	3,807,464 shs.
	Warrants, expiring 1976	American Pacific Coast	297,094 wts.
	Warrants, expiring 1981	American Pacific Coast	2,935,096 wts.
	$6 Cumulative Convertible Preference Stock	New York	94,725 shs.
	4½% Cumulative Preference B Stock	New York	59,963 shs.
	5½% Sinking Fund Subordinated Debentures, due 1976	New York	$11,356,880
	5% Junior Sinking Fund Subordinated Debentures, due 1981	New York	$11,810,450
	10½% Sinking Fund Subordinated Debentures, due 1985	New York	$11,830,760
	6½% Convertible Subordinated Debentures, due 1992	New York	$4,295,009
	7½% Sinking Fund Subordinated Debentures, due 1994	New York	$60,000,000
	7½% Sinking Fund Subordinated Debentures, due 1994 (1971 Issue)	New York	$10,387,500
Lerner Stores Corporation Symbol: **LER**	Common	American	4,366,221 shs.
	Warrants, expiring 1982	American	888,991 wts.
	6½% Sinking Fund Subordinated Debentures, due 1982	American	$9,493,830
Schenley Industries, Inc. Symbol: **SCH**	Cumulative Preference Stock	New York	197,108 shs.

*Number of shares, warrants and principal amounts of debt are outstanding at each corporation's year end, and in some instances include amounts owned by members of the Rapid-American Family of Companies.

RAPID-AMERICAN CORPORATION

Executive Offices: 711 Fifth Ave., New York, N.Y. 10022

PRINTED IN U.S.A.